RECORD AND BRIEFS

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In the Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC, PETITIONER

v.

GREENE'S ENERGY GROUP, LLC, ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE FEDERAL RESPONDENT

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QUESTION PRESENTED

Whether inter partes review comports with Article III and the Seventh Amendment.

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OPINIONS BELOW

The order of the court of appeals (Pet. App. 1-2) is not published in the Federal Reporter but is available at 639 Fed. Appx. 639. The decision of the Patent Trial and Appeal Board (Pet. App. 3a-36a) is not published in the United States Patents Quarterly but is available at 2015 WL 2089371.

JURISDICTION

The judgment of the court of appeals was entered on May 4, 2016. A petition for rehearing was denied on July 26, 2016 (Pet. App. 37-38). On October 14, 2016, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including November 23, 2016, and the petition was filed on that date. The petition for a writ of certiorari was granted on June 12, 2017. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Pertinent constitutional and statutory provisions are set forth in the appendix to this brief. App., *infra*, 1a-12a.

STATEMENT

1. a. The Intellectual Property Clause of the Constitution authorizes Congress to "promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, § 8, Cl. 8. At the Founding, patents were understood as an "except[ion]" to the "[w]rong[]" of restraint of trade. 4 William Blackstone, *Commentaries on the Laws of England* 159 (1769). The Intellectual Property Clause is the only one of Congress's enumerated powers that is conditioned on promotion of a specific public purpose.

The first patent statute conditioned the issuance of patents on approval by an Executive Branch committee that was charged with determining whether the invention in question was sufficiently useful and novel. See Patent Act of 1790, ch. 7, § 1, 1 Stat. 109-110. In 1793, Congress authorized the issuance of patents under a registration system with no examination into patentability. See Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 318-321. Since 1836, Congress has entrusted the decision whether to grant a patent to an agency now known as the U.S. Patent and Trademark Office (USPTO). See 35 U.S.C. 2(a)(1), 131. When an inventor files an application with the USPTO, "[a] patent examiner with expertise in the relevant field reviews an applicant's patent claims, considers the prior art, and determines

whether each claim meets the applicable patent law requirements." *Cuozzo Speed Technologies, LLC* v. *Lee*, 136 S. Ct. 2131, 2136-2137 (2016). The invention must satisfy conditions that include eligibility and utility, 35 U.S.C. 101; novelty, 35 U.S.C. 102; and non-obviousness over the prior art, 35 U.S.C. 103.

The examination is an ex parte proceeding in which no person other than the applicant has an opportunity to participate. While an applicant must disclose material prior art of which he is aware, 37 C.F.R. 1.56, he has "no general duty to conduct a prior art search" and "no duty to disclose art of which [the] applicant is unaware." *Bruno Indep. Living Aids, Inc.* v. *Acorn Mobility Servs., Ltd.*, 394 F.3d 1348, 1351 n.4 (Fed. Cir. 2005). As a result, the patent examiner evaluating an application may be unaware of information that bears on whether the requirements for patentability are satisfied. See *Kappos* v. *Hyatt*, 566 U.S. 431, 437 (2012); *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 108-112 (2011).

In 2015, the USPTO received more than 600,000 applications—more than three times as many as it had received two decades earlier. See USPTO, *U.S. Patent Statistics Chart* (Calendar Years 1963-2015).[1] In 2015, the USPTO issued more than 325,000 patents. *Ibid.*

A patent confers on its owner "the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States." 35 U.S.C. 154(a)(1). A patent holder may enforce that right through an infringement action against others who make, use, or sell the invention within the United States without authorization. 35 U.S.C. 271(a). A defendant may assert invalidity as a defense to infringement—

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[1] https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

"that is, he may attempt to prove that the patent never should have issued in the first place." *i4i Ltd. P'ship*, 564 U.S. at 96; see 35 U.S.C. 282. But the patent is presumed to be valid during litigation, 35 U.S.C. 282, and that statutory presumption can be rebutted only through clear and convincing evidence of invalidity, *i4i Ltd. P'ship*, 564 U.S. at 95.

b. "For several decades," Congress has authorized the USPTO to reconsider its own decisions in issuing patents through proceedings "to reexamine—and perhaps cancel—a patent claim that it had previously allowed." *Cuozzo*, 136 S. Ct. at 2137.

In 1980, Congress created ex parte reexamination, with the goal of restoring public and commercial "confidence in the validity of patents issued by the PTO" by providing a speedy and inexpensive mechanism for eliminating patents that had been wrongly issued. *Patlex Corp.* v. *Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir.), modified on other grounds on reh'g, 771 F.2d 480 (Fed. Cir. 1985). "Any person at any time" may file a request for reexamination of a patent based on certain prior art that bears on patentability. 35 U.S.C. 301(a)(1) and (2). The USPTO may institute an ex parte reexamination if it concludes that the petition raises "a substantial new question of patentability." 35 U.S.C. 303(a), 304. The Director of the USPTO is also authorized "[o]n his own initiative, and [at] any time," to "determine whether a substantial new question of patentability is raised" with respect to any issued patent "by patents and publications discovered by him." 35 U.S.C. 303(a). In an ex parte reexamination, an examiner may cancel any claims that he finds to be unpatentable. See 35 U.S.C. 305.

In 1999, Congress created inter partes reexamination —the predecessor to inter partes review—to expand the USPTO's authority to correct its erroneous patent grants. Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572. Inter partes reexamination was "similar" to ex parte reexamination but allowed "third parties greater opportunities to participate in the Patent Office's reexamination proceedings," *Cuozzo*, 136 S. Ct. at 2137, by permitting them to respond to the patent owner's arguments, introduce evidence in response to the patent owner's evidence, and engage in motions practice. See 35 U.S.C. 311-318 (2000). Subsequent amendments to the reexamination statute allowed third parties to participate in any appeal of the agency's decision. 21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, § 13106(c), 116 Stat. 1901.

In 2011, with broad bipartisan support in both Houses, see 157 Cong. Rec. 9959-9960 (2011); *id.* at 13,200, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284. The AIA responded to the "growing sense" that under existing procedures, "questionable patents [were] too easily obtained and [were] too difficult to challenge." H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 39 (2011) (House Report).

In order "to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court," House Report 48, Congress revised the Patent Act's post-issuance review procedures. The AIA created a new procedure, known as post-grant review, for challenges to patentability brought within nine months after patent issuance. 35 U.S.C. 321(c).

For challenges brought more than nine months after a patent was issued, the AIA created inter partes review, which replaced inter partes reexamination. 35 U.S.C. 311. Inter partes review serves the same "basic purposes" as inter partes reexamination—"namely, to reexamine an earlier agency decision" granting a patent. *Cuozzo*, 136 S. Ct. at 2144; see House Report 39-40 (describing inter partes review as a "system for challenging patents that should not have issued").

As with inter partes reexamination, any person other than the patent owner may seek inter partes review on the ground that, at the time a patent was issued, the invention was not novel or was obvious in light of "prior art consisting of patents or printed publications." 35 U.S.C. 311(a) and (b). After receiving any response from the patent owner, the Director of the USPTO may institute an inter partes review if he finds "a reasonable likelihood that the petitioner would prevail" with respect to at least one of its challenges to the validity of a patent. 35 U.S.C. 314(a).[2] A review of the patent's validity is then conducted by the USPTO's Patent Trial and Appeal Board (PTAB or Board), an administrative body created by the AIA that is composed of administrative patent judges "who are patent lawyers and former patent examiners, among others." *Cuozzo*, 136 S. Ct. at 2137; see 37 C.F.R. 42.4(a).

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[2] Inter partes review may not be instituted if the petitioner previously filed a civil action challenging the validity of the disputed patent, 35 U.S.C. 315(a), or if the patent owner sued the petitioner for infringement of the disputed patent more than one year before the petition was filed, 35 U.S.C. 315(b). If a petitioner seeks inter partes review within one year after being sued for infringement, the district court has discretion to decide whether to stay the underlying infringement suit. See, *e.g.*, *Murata Mach. USA* v. *Daifuku Co.*, 830 F.3d 1357, 1361 (Fed. Cir. 2016).

The AIA gave third-party challengers "broader participation rights" in inter partes review than they had possessed in inter partes reexamination. *Cuozzo*, 136 S. Ct. at 2137. Both the patent owner and the third-party challenger are entitled to certain discovery, 35 U.S.C. 316(a)(5); to file affidavits, declarations, and written memoranda, 35 U.S.C. 316(a)(8); and to request an oral hearing, 35 U.S.C. 316(a)(10). The patent owner may also file a motion to amend the patent, including by proposing a reasonable number of substitute patent claims. 35 U.S.C. 316(d)(1)(B).

The Board is required to issue a final written decision on patentability within one year after the decision to institute inter partes review, unless the deadline is extended for good cause or the review is dismissed. 35 U.S.C. 316(a)(11). The Board may issue a decision "even after the adverse party has settled." *Cuozzo*, 136 S. Ct. at 2144; see 35 U.S.C 317(a). The Board's decision may be appealed to the Federal Circuit. See 35 U.S.C. 141, 319. If the Board determines that any challenged claims of the patent are unpatentable, those claims are not cancelled until "the time for appeal has expired or any appeal has terminated." 35 U.S.C. 318(b). The USPTO has a right to intervene in the court of appeals to defend the Board's decision, whether or not any other party to the inter partes review defends the judgment. 35 U.S.C. 143; see, *e.g.*, *Cuozzo*, 136 S. Ct. at 2144.

Before enacting the AIA, Members of Congress sought views regarding the constitutionality of the inter partes review mechanism from Professor Michael W. McConnell, formerly of the U.S. Court of Appeals for the Tenth Circuit. Professor McConnell wrote to Congress that "it is entirely consistent with the Constitution for Congress to bring to bear the experience and

expertise of the PTO in providing for more robust review of issued patents." 157 Cong. Rec. at 13,042 (McConnell). He explained that, "from the beginning, patents have never been regarded as a fully and irrevocably vested right," because a "patent is not a natural right, but solely a product of positive law" whose "extent, duration, and validity is a matter that must be determined by the legislative branch." *Ibid.* He concluded that it "is entirely proper" for the AIA to "vest authority to determine validity upon reexamination in the agency entrusted by Congress with making the validity decision in the first instance," and that such review "need not be limited to an Article III court in the first instance." *Id.* at 13,043.

As of July 2017, more than 7000 petitions for inter partes review had been filed with the USPTO, and the agency had issued final written decisions cancelling in whole or in part more than 1300 patents. See PTAB, USPTO, *Trial Statistics: IPR, PGR, CBM* 11 (July 2017).[3] The median cost of litigating a patent dispute in federal court substantially exceeds the median cost of an inter partes review. See Am. Intellectual Prop. Law Ass'n, *Report of the Economic Survey* 46, 51 (June 2017).

2. Petitioner owns U.S. Patent No. 6,179,053 (the '053 patent), which relates to an apparatus and method for protecting wellheads during hydraulic fracturing. Petitioner obtained the patent in 2001, after an examiner approved an application that did not specifically identify a Canadian patent application by the same inventor for a similar apparatus. See J.A. 1.

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[3] https://www.uspto.gov/sites/default/files/documents/trial_statistics_july2017.pdf.

In 2012, petitioner filed suit against respondent, alleging infringement of the '053 patent. Less than one year later, respondent filed a petition for inter partes review of two claims in the '053 patent. C.A. App. 306, 369.

The Board granted the petition, conducted an inter partes review, and found the challenged claims unpatentable under 35 U.S.C. 102. Pet. App. 29. The Board concluded that the claims were anticipated by the Canadian patent application, which the examiner did not discuss or reference during the initial examination of petitioner's patent application. The Board concluded that the prior art disclosed every element of the challenged claims, *ibid.*, and enabled one skilled in the art to make the claimed invention, *id.* at 27.

3. Petitioner appealed to the Federal Circuit, challenging the Board's patentability determination and contending that inter partes review violates Article III and the Seventh Amendment. The USPTO intervened to defend the Board's decision. Notice of Intervention (Oct. 26, 2015).

While petitioner's appeal was pending, the Federal Circuit rejected a comparable Article III and Seventh Amendment challenge to inter partes review in *MCM Portfolio LLC* v. *Hewlett-Packard Co.*, 812 F.3d 1284, 1288 (2015), cert. denied, 137 S. Ct. 292 (2016). The court explained that "Congress has the power to delegate disputes over public rights to non-Article III courts," *id.* at 1289, and that "'[w]hat makes a right "public" rather than private is that the right is integrally related to particular federal government action,'" *id.* at 1290 (quoting *Stern* v. *Marshall*, 564 U.S. 462, 490-491 (2011)) (brackets in original).

The Federal Circuit in *MCM Portfolio* concluded that inter partes review of patent rights satisfies that standard. It observed that patent rights are creations of federal law, and that Congress had established inter partes review "to correct the [USPTO's] own errors in issuing patents in the first place." 812 F.3d at 1290. The court explained that the USPTO's correction of its own errors in granting patents falls comfortably within this Court's precedents allowing agency adjudications as an "'expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.'" *Ibid.* (citation omitted). The court further held that, "[b]ecause patent rights are public rights, and their validity [is] susceptible to review by an administrative agency, the Seventh Amendment poses no barrier to agency adjudication without a jury." *Id.* at 1293.

In the present case, the Federal Circuit issued an unpublished order that followed *MCM Portfolio* and affirmed the Board's decision. Pet. App. 1-2.

SUMMARY OF ARGUMENT

I. Inter partes review is consistent with Article III.

A. Consistent with longstanding practice, the Patent Act authorizes USPTO examiners within the Executive Branch to determine in the first instance whether patents should be granted. That allocation of authority is clearly constitutional. The scope, duration, and contours of the patent monopoly have no common-law footing, but are defined entirely by Congress. And in determining whether a patent should issue, the examiner does not decide the sort of concrete dispute between opposing litigants that an Article III court might resolve,

but instead decides whether the applicant will have certain rights *as against the world.*

Like the initial patent examination, inter partes review serves to protect the public from the unwarranted burdens that erroneously issued patents impose. That public purpose continues to be fully implicated for as long as a patent remains in force. And because a patent is presumed valid in litigation, based largely on the expert agency's prior decision to issue it, it was particularly appropriate for Congress to establish mechanisms to verify that the USPTO continues to view the patent as valid.

The fact that Congress specified that patents "shall have the attributes of personal property," subject to other provisions of the Patent Act, 35 U.S.C. 261, does not prevent Executive Branch officials from rescinding an earlier patent grant, subject to judicial review. Executive Branch (and other non-Article III) officials often take actions that cause the divestiture of private property rights. The justifications for that approach are particularly strong with respect to inter partes review, since the relevant property interests are entirely defined by Congress, and the agency that is authorized to cancel invalid patents is the same one that made the initial patent grant.

The fact that inter partes review uses trial-type procedures and gives the private challenger substantial participatory rights does not render it constitutionally problematic. Inter partes review is simply one mechanism by which the USPTO can leverage knowledge possessed by persons outside the government to assist it in making a decision within its bailiwick. If the Board concludes that the challenged claims are unpatentable, the

challenger receives no benefit that it would not have received if the USPTO examiner had denied the patent application in the first instance, or if the USPTO Director had reexamined and cancelled the claims sua sponte. Indeed, the challenger need not have Article III standing to participate in an inter partes review, and the Board can continue to conduct an inter partes review even if the challenger withdraws from the proceedings.

In a variety of circumstances, Congress requires federal agencies to solicit public comments, and sometimes to utilize trial-type procedures, before taking particular administrative action. So long as the action that the agency ultimately takes is a permissible exercise of Executive Branch authority, Congress's imposition of those requirements creates no meaningful Article III question. The same principle applies here. Congress presumably incorporated trial-type procedures into inter partes review in order to improve the accuracy of the Board's decisions, and there is no sound reason to force Congress to settle for procedures it views as suboptimal.

Inter partes review is also conducive to efficient allocation of the USPTO's finite resources. As a constitutional matter, Congress could have required the USPTO to afford objecting parties an opportunity to be heard during the initial examination process. That approach, however, would have entailed substantial cost and delay for patent applicants as a class. Congress reasonably chose instead to utilize a comparatively fast ex parte examination at the outset, thereby allowing successful applicants to gain patent protection more quickly, while focusing more resource-intensive post-issuance review on a small class of patents that (1) are

of questionable validity and (2) have sufficient commercial importance to induce a private petitioner to bring a challenge.

The AIA did not withdraw any category of patentability disputes from the jurisdiction of Article III courts, but instead left in place all pre-existing avenues for judicial resolution of validity issues. Although inter partes review may sometimes obviate the need for judicial intervention, that is a familiar (and generally welcome) result of agency self-correction mechanisms.

This Court has issued a series of decisions addressing the constitutional limits on Congress's power to authorize the use of non-Article III adjudicators. Inter partes review much more closely resembles the non-Article III adjudicatory mechanisms that this Court has upheld than those that the Court has found to be invalid. The private interests involved are created entirely by federal statutes; resolution of patentability disputes implicates the agency's specialized expertise; and the AIA authorizes an Article III court to review the Board's legal conclusions de novo.

B. The longstanding treatment of patents as revocable privileges, and the abundant history of non-judicial patent revocations, confirm the constitutional validity of inter partes review. The justification for patents is not that an inventor has a natural right to preclude others from making or using his invention, but that patent protection will ultimately benefit the public by providing an incentive to innovate. Governmentally-conferred franchises designed to serve such purposes create "public rights," whose scope and continuing effectiveness may be resolved by non-Article III tribunals. Both in England before the Founding, and in the

United States thereafter, a variety of mechanisms existed through which patents could be revoked without judicial involvement.

As petitioner emphasizes, questions of patent validity have historically been decided by courts as well. This Court has long recognized, however, that a variety of factual and legal matters are suitable for resolution by *either* judicial or nonjudicial forums. Such matters are "public rights" for purposes of this Court's Article III jurisprudence.

Petitioner's reliance on *McCormick Harvesting Machine Co.* v. *Aultman*, 169 U.S. 606 (1898), is misplaced. The Court in *McCormick* simply held that the then-existing reissue statute did not authorize the Patent Office to rescind an existing patent under the circumstances of that case. The Court did not suggest that Congress was constitutionally precluded from giving such authorization. The nineteenth-century land-patent decisions that petitioner invoked in its petition for a writ of certiorari are likewise inapposite here. Those decisions announce holdings of statutory interpretation rather than constitutional law. In any event, the government in issuing a patent does not (as with a land patent) convey title to something it previously owned, but instead grants a limited franchise whose scope and contours are wholly defined by the government itself.

II. Inter partes review is consistent with the Seventh Amendment. This Court has made clear that, if Congress has permissibly assigned the resolution of a particular type of dispute to a non-Article III adjudicator, the Seventh Amendment imposes no separate bar to the use of a nonjury factfinder. That is so even in settings where the Seventh Amendment jury-trial right would apply if the dispute were heard in federal court.

Petitioner's Seventh Amendment challenge fails for an additional reason as well. Even in federal-court suits, the Seventh Amendment does not apply to equitable claims. Money damages are not available in inter partes review, and the closest judicial analog to cancellation of a patent is a declaratory judgment of invalidity. No jury-trial right attaches when a plaintiff in federal court seeks such a declaration.

ARGUMENT

Petitioner does not dispute that the initial determination whether a patent should be issued has permissibly been entrusted to Executive Branch examiners within the USPTO. Petitioner contends, however, that Article III precludes Congress from authorizing the same agency to reconsider the validity of previously issued patents. That argument is unsupported by precedent, logic, or history. Cancellation of an existing patent after inter partes review serves the same public purpose that an examiner seeks to vindicate when he concludes that a putative invention does not satisfy the statutory prerequisites to patentability. Congress's decisions to solicit input from private challengers, and to utilize trial-type procedures during inter partes reviews, create no substantial constitutional issue either. The judgment of the court of appeals should be affirmed.

I. INTER PARTES REVIEW IS CONSISTENT WITH ARTICLE III

Article III generally reserves to the judiciary the adjudication of disputes over private rights, but it imposes no such limitation on disputes over public rights, which "[C]ongress may or may not bring within the cognizance of the courts of the United States, as it may deem

proper." *Murray's Lessee* v. *Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 284 (1856). A patent holder's right to obtain a government-issued patent allowing the inventor "to exclude others from making, using, offering for sale, or selling" a patented invention, 35 U.S.C. 154(a)(1), is a paradigmatic public right. Just as Congress has long authorized Executive Branch employees to determine in the first instance whether patents should be granted, inter partes review is a constitutionally permissible means by which the USPTO may reassess its prior patent grants and, if necessary, correct its own errors. That conclusion also comports with the traditional understanding of patent rights as privileges that the government may revoke without judicial involvement. The fact that the Board's final decisions in inter partes reviews are appealable to the Federal Circuit, which can correct any legal errors the Board may make in deciding whether existing patents should be cancelled, reinforces that conclusion.

A. Congress May Authorize The USPTO To Reconsider Its Own Decision To Grant A Patent

1. Congress has permissibly authorized USPTO patent examiners within the Executive Branch to determine in the first instance whether patents should be granted

a. Public rights are rights that are "integrally related to particular Federal Government action." *Stern* v. *Marshall*, 564 U.S. 462, 490-491 (2011); see *Granfinanciera S. A.* v. *Nordberg*, 492 U.S. 33, 55 n.10 (1989). Under this Court's public-rights precedents, a matter is appropriate for agency determination if "the claim at issue derives from a federal regulatory scheme, or * * * resolution of the claim by an expert Government agency

is deemed essential to a limited regulatory objective within the agency's authority." *Stern*, 564 U.S. at 490-491. The Court has defined these matters in contradistinction to matters of "private right," *Crowell* v. *Benson*, 285 U.S. 22, 51 (1932), such as common-law claims and claims arising under state law, *Granfinanciera*, 492 U.S. at 51, 55-56. The public-rights doctrine reflects the principle that, when the very existence of a right "depends upon the will of [C]ongress," *Murray's Lessee*, 59 U.S. (18 How.) at 284, Congress can set conditions on the manner of its adjudication, *id.* at 283-284; see *Northern Pipeline Constr. Co.* v. *Marathon Pipe Line Co.*, 458 U.S. 50, 83 (1982) (plurality).

b. Consistent with longstanding practice, the Patent Act authorizes Executive Branch employees (*i.e.*, USPTO examiners) to determine in the first instance whether patents should be granted. Petitioner does not contend that initial patent-issuance decisions must instead be made by Article III courts. For at least two principal reasons, Congress's conferral of this power on the Executive Branch is clearly constitutional.

First, patent rights "did not exist at common law," *Gayler* v. *Wilder*, 51 U.S. (10 How.) 477, 494 (1851), and have not historically been understood to reflect any "natural right" of inventors, *Graham* v. *John Deere Co.*, 383 U.S. 1, 9 (1966). The Constitution permits, but does not compel, the creation of a national patent system; it thus leaves to Congress the decision whether to promote the progress of the useful arts by enacting patent laws. See *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 530 (1972). "The [patent] monopoly did not exist at common law, and the rights, therefore, which may be exercised under it cannot be regulated by the rules of the common law." *Gayler*, 51 U.S. (10 How.) at

494. Rather, any patent monopoly "is created by the act of Congress," and "no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes." *Ibid.*; see *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 229-230 & n.5 (1964); *Teva Pharm. USA, Inc.* v. *Sandoz, Inc.*, 135 S. Ct. 831, 848 (2015) (Thomas, J., dissenting); see also McConnell, 157 Cong. Rec. at 13,042 (explaining that patents are "solely a product of positive law," whose "extent, duration, and validity [are] matter[s] that must be determined by the legislative branch").

Second, in determining whether a patent should issue, a patent examiner decides whether the applicant will have certain rights *as against the world*. While Article III courts resolve concrete disputes between opposing litigants, "[v]indicating the *public* interest * * * is the function of Congress and the Chief Executive." *Lujan* v. *Defenders of Wildlife*, 504 U.S. 555, 576 (1992). To be sure, to "decide on the rights of individuals," *ibid.* (quoting *Marbury* v. *Madison*, 5 U.S. (1 Cranch) 137, 170 (1803)), Article III courts may and do resolve issues of patent validity in the course of deciding suits (*e.g.*, infringement suits and declaratory-judgment actions) that satisfy the Constitution's case-or-controversy requirement. Outside the context of such concrete disputes, however, the determination whether a particular invention qualifies for patent protection under the statutory criteria is appropriate for Executive but not Judicial Branch resolution.

2. Inter partes review resolves a matter of public right that is integrally connected to the federal patent scheme

a. Inter partes review differs from the initial patent-examination process in two principal respects. First,

the question before the Board during an inter partes review is whether claims in an existing patent should be cancelled, not whether a patent should be issued in the first instance. Second, whereas the initial examination involves solely the patent applicant and the USPTO, the AIA gives significant participatory rights in the review process to a private party that successfully petitions for inter partes review. Neither of those differences, however, provides a sound basis for questioning the constitutionality of the AIA provisions that establish inter partes review.

i. Since the Founding, Congress has employed a variety of non-judicial mechanisms for cancelling issued patents. See pp. 38-45, *infra*. That historical tradition provides strong evidence that USPTO cancellation of issued patents comports with Article III. A variety of other factors reinforce that conclusion.

Inter partes review serves the same important public purposes as the initial examination, namely the protection of the public from private monopolies that exceed the bounds authorized by Congress. Inventors are entitled to patents only for inventions that further the public interest because they meet stringent statutory criteria, including novelty and non-obviousness over prior art. 35 U.S.C. 102, 103. These limitations have constitutional underpinnings, because Congress's authority to create patents is conditioned on "promotion of advances in the 'useful arts,'" and Congress "may not overreach the restraints imposed" by that purpose. *Graham*, 383 U.S. at 5-6; see *Crown Die & Tool Co.* v. *Nye Tool & Mach. Works*, 261 U.S. 24, 36 (1923); *Kendall* v. *Winsor*, 62 U.S. (21 How.) 322, 327-328 (1859).

This Court has recognized the government's "obligation to protect the public" from improperly issued patents, *United States* v. *American Bell Tel. Co.*, 128 U.S. 315, 357, 367 (1888) (*American Bell I*), which impose high social costs, see *Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (meritless patents "can impose a 'harmful tax on innovation'") (citation omitted); *eBay Inc.* v. *MercExchange, L. L. C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring); *Cardinal Chem. Co.* v. *Morton Int'l, Inc.*, 508 U.S. 83, 100-101 (1993). The public and governmental interest in preventing unauthorized exercises of the patent monopoly continues to be fully implicated for as long as a patent remains in force. In drafting the Intellectual Property Clause, "the Framers sought to balance the goal of encouraging innovation against the dangers and economic loss of monopoly. The reexamination process serves to preserve that balance by adopting a procedure by which the [USPTO] can identify patents that were issued in error." McConnell, 157 Cong. Rec. at 13,042; see *Cuozzo Speed Technologies, LLC* v. *Lee*, 136 S. Ct. 2131, 2135 (2016).

Facilitating the USPTO's efforts to correct its own mistakes is particularly appropriate in light of "the presumption of validity that comes with issued patents in court." House Report 48; see 35 U.S.C. 282(a). That presumption can be rebutted in litigation only through clear and convincing evidence, see *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011), and its primary rationale is "that the [USPTO], in its expertise, has approved the claim," *KSR Int'l Co.* v. *Teleflex Co.*, 550 U.S. 398, 426 (2007). Petitioner seeks to retain the benefits of that presumption in any infringement suit it might file, while contesting Congress's efforts to ensure that

the existence of a patent actually reflects the USPTO's current, informed judgment that the claimed invention satisfies statutory patentability requirements.

Petitioner suggests (Br. 28-29) that, because patents are a form of private property, Executive Branch officials may not rescind an earlier patent grant. That argument confuses the distinct concepts of private property and "private rights"—those rights that are not integrally related to federal government action. See *Stern*, 564 U.S. at 490-491. Executive Branch agencies routinely act on private parties' claims of entitlement to property, such as money, land, and other assets. Those Executive Branch actions can include dissolution of existing property interests as well as the creation of new property rights. That may occur, for example, when the government terminates a tenured public employee, see, *e.g.*, *Cleveland Bd. of Educ.* v. *Loudermill*, 470 U.S. 532, 538-543 (1985), or when it decides that a recipient is no longer entitled to continuing public-assistance payments, see, *e.g.*, *Goldberg* v. *Kelly*, 397 U.S. 254, 261-262 (1970). Bankruptcy courts allocate property that exists apart from federal bankruptcy law; the Court in *Murray's Lessee* upheld use of a summary, non-judicial process to seize land; and various administrative tribunals have divested people of "core private rights to traditional forms of property" by ordering them to pay money damages, Caleb Nelson, *Adjudication in the Political Branches*, 107 Colum. L. Rev. 559, 611 (2007). The Constitution protects against arbitrary deprivations of property interests, see *Goldberg*, 397 U.S. at 261-262; *Murray's Lessee*, 59 U.S. (18 How.) at 276-277, but it does not bar Executive Branch agencies (or other non-Article III federal officials) from making those determinations.

That principle applies with particular force to cancellation of patent rights, since such rights are created by the government and their scope and contours are defined entirely by federal statute. The Patent Act states that, "*[s]ubject to the provisions of this title*, patents shall have the attributes of personal property." 35 U.S.C. 261 (emphasis added). The same statutory provision that declares patent rights to be property rights thus makes clear that the nature and extent of those rights are defined by Congress. See *eBay*, 547 U.S. at 392 (emphasizing this limitation). Congress has authorized reassessment of issued patents by the expert agency charged with deciding patentability in the first instance, and the USPTO is particularly well-positioned to undertake that reassessment when additional information or arguments have come to light. See *Boesche* v. *Udall*, 373 U.S. 472, 476, 483 (1963) (describing an agency's exercise of authority to cancel a lease that the agency had issued as a case "peculiarly appropriate * * * for administrative determination in the first instance"); see also McConnell, 157 Cong. Rec. at 13,043 (concluding that it is "entirely proper" for Congress to vest authority to correct erroneous patent grants "in the agency entrusted by Congress with making the * * * decision in the first instance").

Agencies' use of administrative processes to correct their own mistakes is commonplace.[4] And the fact that

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[4] See, *e.g.*, 5 U.S.C. 8470 (authorizing agency to recoup erroneously issued federal employee benefits); 38 U.S.C. 5302 (authorizing agency to recoup erroneously issued veterans' benefits); 42 U.S.C. 404 (authorizing agency to recoup erroneously issued social security benefits); 47 U.S.C. 312 (authorizing agency to revoke radio station licenses); 49 U.S.C. 13905(d)(2) (authorizing agency to revoke erroneously issued federal motor carrier registrations); 49 U.S.C. 41110

the USPTO is reassessing a decision that it was authorized to make in the first instance is strong evidence that inter partes review is not "inherently judicial." See *Northern Pipeline*, 458 U.S. at 68 (plurality) ("The public-rights doctrine is grounded in a historically recognized distinction between matters that could be conclusively determined by the Executive and Legislative Branches and matters that are 'inherently . . . judicial.'") (citation omitted); *Ex Parte Bakelite Corp.*, 279 U.S. 438, 458 (1929) (distinguishing between matters that "inherently or necessarily require[] judicial determination" and "matters the determination of which may be, and at times has been, committed exclusively to executive officers"). In light of Congress's unquestioned "authority to delegate to the PTO the power to issue patents in the first instance[,] [i]t would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions." *MCM Portfolio, LLC* v. *Hewlett-Packard Co.*, 812 F.3d 1284, 1291 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 292 (2016).

ii. Many of petitioner's arguments logically imply that *any* form of USPTO reconsideration of an issued patent would violate Article III. Late in its brief, however, petitioner obliquely suggests that ex parte reexamination is constitutional because it "is an interactive proceeding between the agency and the patent owner" that "stops short of exercising Article III judicial power over private rights." Pet. Br. 50. Petitioner argues that inter partes review is distinguishable from ex parte

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(authorizing agency to revoke erroneously issued air carrier certificates); 49 U.S.C. 44709 (authorizing agency to revoke erroneously issued airman certificates).

reexamination, and inconsistent with Article III, because it "is an adversarial proceeding with all the trappings of litigation." *Ibid.* That argument lacks merit.

Inter partes review is simply one mechanism by which the USPTO seeks to leverage knowledge possessed by persons outside the government to assist it in making a decision within its bailiwick. Even ex parte reexamination may be conducted at the request of private parties, who may apprise the USPTO of the existence and relevance of prior art of which the agency was previously unaware. See 35 U.S.C. 301, 302. Unlike in ex parte reexamination, the AIA gives the petitioner for inter partes review substantial participatory rights in the review proceeding itself. At the end of both proceedings, however, the agency makes the same decision: whether a patent (or particular patent claims) should be cancelled.

In this case, in deciding whether the two challenged claims in petitioner's patent should remain in force, the USPTO was determining petitioner's rights as against the world, not its rights vis-à-vis the private party (respondent Greene's Energy Group, LLC) that had petitioned for inter partes review. The agency's decision cancelling the claims gave Greene's Energy Group no benefit that it would not have received if the USPTO had disapproved the claims during the initial examination, or if the Director had reexamined and cancelled the claims sua sponte. The proceeding therefore did not determine "the liability of one individual to another under the law as defined"—the characteristic hallmark of a matter of "private right." *Stern*, 564 U.S. at 489 (quoting *Crowell*, 285 U.S. at 489).

In other respects as well, inter partes review differs from the sorts of judicial proceedings (*e.g.*, infringement suits and declaratory-judgment actions) in which an Article III court might resolve questions of patent validity. A third-party challenger in an inter partes review need not have any concrete dispute with the patent holder and "may lack constitutional standing." *Cuozzo*, 136 S. Ct. at 2143-2144. And the challenger "need not remain in the proceeding; rather, [the USPTO] may continue to conduct an inter partes review even after the adverse party has settled." *Id.* at 2144; see 35 U.S.C. 317(a). Similarly, the USPTO "may intervene in a later judicial proceeding" to defend its cancellation of an improperly granted patent, "even if the private challengers drop out." *Cuozzo*, 136 S. Ct. at 2144 (emphasis omitted); see 35 U.S.C. 143. Those aspects of inter partes review reinforce the understanding that, although private challengers may assist the Board by identifying questionable patents and bringing forward new information and arguments, the Board's role is to protect the public interest in the integrity of existing patents, not to determine the respective rights of the patentee and challenger vis-à-vis each other.

If it is otherwise consistent with Article III for the USPTO to reassess the validity of issued patents, neither precedent nor logic suggests that Congress's decision to mandate trial-type procedures renders inter partes review unconstitutional. In a variety of contexts, Congress requires federal agencies to solicit public comments before taking particular administrative actions. See, *e.g.*, 5 U.S.C. 553(c) (notice-and-comment rulemaking); 33 U.S.C. 1344(a) (authorizing the Secretary of the Army to "issue permits, after notice and opportunity for public hearings for the discharge of

dredged or fill material into the navigable waters"). Indeed, when particular agency rules "are required by statute to be made on the record after opportunity for an agency hearing," the agency must employ formal rulemaking procedures having many of the attributes associated with courtroom proceedings. 5 U.S.C. 553(c); see 5 U.S.C. 556, 557. So long as the rules ultimately promulgated are permissible exercises of Executive Branch authority, Congress's decision to impose those procedural requirements does not create any meaningful Article III question.

Similarly here, so long as the decision the Board ultimately makes is one that can properly be entrusted to Executive Branch officials, the use of trial-type procedures does not render the inter partes review mechanism constitutionally infirm. This Court has long recognized that "the crucible of meaningful adversarial testing" can enhance the accuracy of decision-making, *United States* v. *Cronic*, 466 U.S. 648, 656 (1984), and prevent "administrative abuses," *Boesche*, 373 U.S. at 485-486. Congress presumably mandated the use of trial-type procedures in inter partes review because it believed they would increase the accuracy of the Board's decisions. If reconsideration of issued patents is a function the Board may constitutionally perform, nothing in this Court's Article III precedents requires Congress to settle for internal agency procedures that it views as sub-optimal.

Petitioner is also wrong in suggesting (Br. 42-47) that inter partes review violates Article III because the administrative patent judges who sit on the Board are chosen and assigned to specific matters without the involvement of Article III courts. The Constitution no more requires that form of Article III supervision for

the Board members who reconsider issued patents than for the patent examiners who rule on patent applications in the first instance.[5] Petitioner's criticisms (Br. 43-47) of various procedures that give the Director of the USPTO a role in the selection, promotion, retention, and assignment of administrative patent judges likewise do not cast doubt on the validity of the AIA provisions that authorize inter partes review.

A virtue of administrative adjudication is the agency's ability to ensure application of uniform standards "to the thousands of cases involved" through tools that include oversight of agency employees. *Crowell*, 285 U.S. at 54; see *Boesche*, 373 U.S. at 484 (noting the importance of uniformity in managing the "magnitude and complexity" of an administrative scheme). If a particular USPTO procedure regarding assignment or oversight of judges raises serious constitutional concerns, those concerns can be addressed on an as-applied basis in a case (unlike this one) where the allegedly infirm procedure has actually been utilized. The possibility of such challenges, however, provides no basis for holding that the AIA provisions authorizing inter partes review are facially inconsistent with Article III.

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[5] This Court has sometimes treated supervision of particular adjudicators by Article III judges as relevant to its public-rights analysis. See, *e.g.*, *Peretz* v. *United States*, 501 U.S. 923, 936 (1991) (magistrate judges conducting voir dire in criminal trials). In other cases, however, it has upheld decision-making by adjudicators that do not function as adjuncts of Article III courts. See, *e.g.*, *Thomas* v. *Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 590 (1985) (civilian arbitrators selected on consent of the parties or appointed by federal agency); *Atlas Roofing Co.* v. *Occupational Safety & Health Rev. Comm'n*, 430 U.S. 442, 445 (1977) (Occupational Safety and Health Commission).

b. Inter partes review is also conducive to efficient allocation of the USPTO's finite resources. The USPTO performs pre-issuance review of more than half a million patent applications each year, but initial patent examinations are conducted ex parte, with no opportunity for persons other than the applicant to participate. Examiners therefore must decide, in a limited period of time, whether an invention satisfies statutory criteria "without the aid of arguments which could be advanced by parties interested in proving patent invalidity." *Lear, Inc.* v. *Adkins*, 395 U.S. 653, 670 (1969). The patent applicant, moreover, has "no general duty to conduct a prior art search" and "no duty to disclose art of which [the] applicant is unaware." *Bruno Indep. Living Aids, Inc.* v. *Acorn Mobility Servs., Ltd.*, 394 F.3d 1348, 1351 n.4 (Fed. Cir. 2005). In addition, patent examiners' own research "often does not (and cannot) encompass the full scope of prior art relevant to a patent application," which may take the form of patents in foreign languages, "thesis papers located in obscure libraries around the world, obscure foreign publications that have not been translated into English, and online journals that require subscriptions or payments." PTAB Bar Ass'n Amicus Br. 13-14.

By enabling the USPTO to take "a second look at an earlier administrative grant of a patent" based on new information or arguments, *Cuozzo*, 136 S. Ct. at 2144, inter partes review thus helps to ensure that unpatentable inventions do not continue to receive unwarranted monopoly protection, thereby addressing what Congress determined was a substantial problem of erroneous grants under the preexisting patent system. House Report 39-40. Inter partes review also affords advantages over alternative mechanisms for pursuing the

same objectives. Congress could have required, in connection with every initial patent examination, that third parties who are opposed to the application be given an opportunity to argue and submit evidence. But undertaking that process for each of the 500,000 patent applications submitted every year would "lead to years' delay in the issuance of patents" and risk "disincentiviz[ing] innovation or entry into the patent system." PTAB Bar Ass'n Amicus Br. 19 (alteration omitted). It would also greatly increase costs.

Congress's decision to pair a comparatively fast ex parte examination at the outset with opportunities for post-grant review thereafter benefits patent applicants by enabling them to gain patent protection more quickly. It also benefits the public by focusing more resource-intensive review on a small class of cases: those in which a third party identifies a challenge to patentability that has a reasonable likelihood of success, and in which the patent has proved to be of sufficient commercial importance to make it worthwhile for the third party to bring a challenge. See 35 U.S.C. 311(b), 314(a); PTAB Bar Ass'n Amicus Br. 12 ("[N]o member of the public will spend the hundreds of thousands of dollars needed to prepare an IPR petition and see the proceeding through to its conclusion" for "[t]he run-of-the-mill patent that is not commercially significant and never asserted against an accused infringer."). Congress's evident authority to mandate an opportunity for third-party participation in the initial examination process reinforces the constitutionality of the more modest approach reflected in the AIA, under which the USPTO makes initial patent grants without that scrutiny but may conduct more intensive post-issuance review in a smaller class of cases.

3. *The AIA provisions that govern inter partes review do not intrude on or diminish the authority of Article III courts*

Contrary to petitioner's contention (Br. 49), the AIA provisions that created inter partes review did not "withdraw" questions of patent validity from Article III courts. The AIA did not eliminate or curtail any preexisting authorization for courts to resolve such questions, either in infringement suits or in declaratory-judgment actions. To be sure, by establishing an additional mechanism for the USPTO to correct its own mistakes, Congress sought to reduce the need for courts to perform the same function. But the possibility that agency self-correction may obviate the need for judicial intervention has traditionally been viewed as a *virtue* of administrative-appeal mechanisms and administrative-exhaustion requirements. See, *e.g.*, *McKart* v. *United States*, 395 U.S. 185, 195 (1969). There is no sound reason to regard inter partes review with a more jaundiced eye.

Even in situations (not present here) where a judge or jury rejects an alleged infringer's defense of invalidity, and the Board subsequently cancels the same patent on inter partes review, the agency's decision does not usurp or undermine judicial authority. "Courts do not find patents 'valid,'" but "only that the patent challenger did not carry the 'burden of establishing invalidity in the particular case.'" *Ethicon, Inc.* v. *Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) (citations and emphasis omitted); see McConnell, 157 Cong. Rec. at 13,043. Invalidity defenses in court must be established by clear and convincing evidence, see *i4i Ltd. P'ship*, 564 U.S. at 102-103, while the Board decides questions of patentability using a preponderance standard, see

35 U.S.C. 316(e). Just as a civil finding of liability for wrongful death does not displace an acquittal in a criminal prosecution where the beyond-a-reasonable-doubt standard applies, the Board's conclusion that particular claims are unpatentable is not logically inconsistent with a court's determination that an infringement defendant failed to prove the invalidity of those claims by clear and convincing evidence. See McConnell, 157 Cong. Rec. at 13,044.

The current functional resemblance between inter partes review and litigation, moreover, is attributable in large part to twentieth century legal developments. For much of the country's history, "this Court harbored doubts about the compatibility of declaratory-judgment actions with Article III's case-or-controversy requirement," until those doubts were "dispelled" in 1933. *Medimmune, Inc.* v. *Genentech, Inc.*, 549 U.S. 118, 126 (2007) (citing cases). And until this Court's decision in *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971), a judgment of patent invalidity had issue-preclusive effect only in subsequent litigation between the same parties, leaving the patent holder free to attempt to enforce its patent against other alleged infringers. See *id.* at 317, 349-350. If that preclusion rule were still in place, the distinction between the role of federal courts in determining the rights of individual litigants, and the role of Executive Branch officials in protecting the public interest, would be particularly apparent.

To current patent practitioners, a declaratory-judgment action that seeks to render the challenged patent a practical nullity is a familiar type of judicial proceeding. For most of our country's history, however, no private litigant in federal court could have achieved that

result. One consequence of *Blonder-Tongue* is that judicial determinations of patent invalidity are now a more powerful tool for protecting the public from the costs imposed by erroneously issued patents. The increased potential for judicial rulings to vindicate that public interest, however, does not cast doubt on the USPTO's constitutional authority to perform that quintessential Executive Branch function.

4. Inter partes review satisfies even the standards this Court has articulated for the imposition of monetary liability by non-Article III adjudicators

This Court has issued a series of decisions addressing the constitutional limits on Congress's power to authorize the use of non-Article III adjudicators. The adjudicators in those cases were typically empowered to determine "the liability of one individual to another," *Stern*, 564 U.S. at 489 (quoting *Crowell*, 285 U.S. at 51), including liability for monetary relief. Even in that setting, the Court has frequently sustained Congress's use of non-Article III officials.

In *Crowell* v. *Benson*, *supra*, this Court sustained, against an Article III challenge, statutory provisions that authorized an agency to adjudicate claims under the Longshore and Harbor Workers' Compensation Act, 33 U.S.C. 901 *et seq.* See 285 U.S. at 36-37. The Court explained that "there is no requirement that, in order to maintain the essential attributes of the judicial power, all determinations of fact" must be made by Article III judges. *Id.* at 51. The court concluded that claims under the statute, which displaced a traditional common-law cause of action, were claims of private right. *Ibid.*; see *Thomas*, 473 U.S. at 587. But the Court concluded that the statute permissibly authorized the

agency to decide disputes and to make conclusive findings of fact regarding compensation claims, because the authority of Article III courts "to deal with matters of law" in reviewing or enforcing the agency's decisions "provide[d] for the appropriate exercise of the judicial function in this class of cases." *Crowell*, 285 U.S. at 54, 57. In reaching that conclusion, the Court emphasized that the agency's determinations were confined to a discrete area of law, were "closely analogous" to other determinations that agencies regularly made, *id.* at 54, and provided a "prompt, continuous, expert and inexpensive method for dealing with a class of questions of fact" particularly suitable for specialized agency determination, *id.* at 46; see *Stern*, 564 U.S. at 489 n.6 ("*Crowell* may well have additional significance in the context of expert administrative agencies that oversee particular substantive federal regimes.").

In *Thomas* v. *Union Carbide Agricultural Products Co.*, *supra*, this Court upheld a mandatory arbitration system under which private parties can be ordered to make payments to other private parties for using information pertaining to pesticides under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), 7 U.S.C. 136 *et seq.* The Court explained that "Congress, acting for a valid legislative purpose pursuant to its constitutional powers under Article I, may create a seemingly 'private' right that is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary." *Thomas*, 473 U.S. at 593-594. The Court upheld the FIFRA arbitration system after observing that it concerned a compensation right created by federal law and that arbitration advanced FIFRA's objective of swiftly resolving before subject-

matter experts specialized questions of compensation. *Id.* at 590-591.

This Court has upheld other uses of agency forums to decide questions "integrally related to particular Federal Government action." *Stern*, 564 U.S. at 490-491. It has upheld resolution of landlord-tenant disputes through a federal administrative system. *Block* v. *Hirsh*, 256 U.S. 135, 158 (1921). It has upheld an agency procedure to determine whether companies violated a federal worker-safety statute and to impose penalties for violations. *Atlas Roofing Co.* v. *Occupational Safety & Health Review Comm'n*, 430 U.S. 442, 458 (1977). The Court has also concluded that Congress may assign non-Article III courts to adjudicate claims concerning restructuring of debtor-creditor relations under federal bankruptcy law. *Stern*, 564 U.S. at 492 n.7; see *Wellness Int'l Network, Ltd.* v. *Sharif*, 135 S. Ct. 1932, 1951 (2015) (Roberts, C.J., dissenting).

By contrast, the Court has disapproved the use of non-Article III adjudicators to resolve common-law and state-law claims, after determining that adjudication of those causes of action was not closely intertwined with administration of a federal statutory scheme. In *Stern*, for example, the Court concluded that a bankruptcy court could not adjudicate a common-law claim of tortious interference as a counterclaim in bankruptcy because the counterclaim did "not flow from a federal statutory scheme," qualify as "'completely dependent upon' adjudication of a claim created by federal law," or call upon agency expertise in a "particularized area of the law." 564 U.S. at 493 (citations omitted); see *Northern Pipeline*, 458 U.S. at 69-79 (plurality) (state-law claims); *Granfinanciera*, 492 U.S. at 60-61 ("fraudulent conveyance actions" constituting "a pre-existing,

common-law cause of action that was not integrally related to the reformation of debtor-creditor relations").

Inter partes review much more closely resembles the non-Article III adjudicatory mechanisms that this Court has upheld than those that the Court has found to be invalid. Inter partes review involves interests that are "derived from a federal regulatory scheme." *Stern*, 564 U.S. at 490; see *ibid.* (explaining that "resolution of [a] claim by an expert government agency is deemed essential to a limited regulatory objective within the agency's authority"). Patent law is a "technically complex subject matter," *Dickinson* v. *Zurko*, 527 U.S. 150, 160 (1999), making it "especially appropriate to administrative as opposed to judicial redetermination," McConnell, 157 Cong. Rec. at 13,045, and the USPTO has "special expertise in evaluating patent applications," *Kappos* v. *Hyatt*, 566 U.S. 431, 445 (2012). PTAB judges include patent lawyers and former patent examiners, *Cuozzo*, 136 S. Ct. at 2137, who have far more experience assessing novelty and obviousness than generalist judges or juries, PTAB Bar Ass'n Amicus Br. 20-21.

In addition, while the USPTO decides in an inter partes review whether a claimed invention failed to satisfy the requirements of novelty and non-obviousness, its determinations can be appealed to an Article III court, which reviews the agency's findings of fact deferentially and its conclusions of law de novo. See *MCM Portfolio*, 812 F.3d at 1287. Inter partes review thus preserves the "complete authority" of Article III courts "to insure the proper application of the law" with respect to questions of patentability, while providing an "expert and inexpensive method" for determining subsidiary factual questions. *Crowell*, 285 U.S. at 46-47, 54.

And by specifying that no patent may be cancelled until any appellate review has been completed, see 35 U.S.C. 318(b), inter partes review affords greater solicitude to judicial review than did the administrative scheme upheld in *Crowell*, where the agency orders were "not to be stayed pending" judicial review except on a showing of "irreparable damage." *Crowell*, 285 U.S. at 44-45.

Inter partes review therefore would satisfy even the standards this Court has imposed when Congress authorizes non-Article III adjudicators to hold one private party liable to another for monetary relief. As we explain above (see pp. 18-25, *supra*), however, the more fundamental flaw in petitioner's argument is that inter partes review is not a mechanism for imposing legal liability, or for determining the respective rights of adverse litigants vis-à-vis each other. It is instead a procedure by which the USPTO reconsiders its own prior determination that a putative inventor has satisfied the statutory prerequisites for obtaining a patent monopoly as against the world. For substantially the same reasons that initial patent examination is appropriately entrusted to an Executive Branch agency, Congress's authorization for the same agency to review its own prior decisions raises no significant Article III concern.

B. The Longstanding Treatment of Patents As Revocable Privileges Confirms That Congress May Authorize the USPTO To Reconsider Its Patent Grants

1. At the Founding, patent rights were understood to be revocable without judicial involvement—in other words, as public rights. The Founding generation distinguished between "'core' private rights" that individuals would enjoy "even in the absence of political society," and "privileges" or "franchises" that the government could create "for reasons of public policy." Nelson

567. Privileges and franchises were "legal interests capable of being held by individuals" and could "form the basis for private claims against other individuals." *Ibid.* But "even in private hands they amounted to mere '*trusts* of civil power to be exercised for the public benefit.'" *Id.* at 568 (citation omitted).

Such rights therefore were "not understood to vest in private individuals in the same way as core private rights." Nelson 568. Instead, because these interests existed as creations of the sovereign to serve the public interest, the sovereign could allow their revocation without judicial involvement. *Teva Pharms.*, 135 S. Ct. at 848 (Thomas, J., dissenting) (detailing history); see *Public Serv. Comm'n of Puerto Rico* v. *Havemeyer*, 296 U.S. 506, 515-517 (1936); Nelson 571-572; Thomas M. Cooley, *A Treatise on the Constitutional Limitations Which Rest Upon the Legislative Power of the States of the American Union* 384 (1868). The interests that the Founding generation described as "privileges" or "franchises" thus had the attributes of what this Court since *Murray's Lessee* has called "public rights." See Nelson 563-564.

Patents have always been understood as privileges or franchises. Rather than reflecting any perceived "natural right" of inventors to monopolize discoveries, *Graham*, 383 U.S. at 9, patents were understood as creations of the sovereign that "intrude" on "the natural right of the public to appropriate all new ideas that may be voluntarily disclosed," 1 William C. Robinson, *The Law of Patents for Useful Inventions* §§ 25-26 (1890); see *American Bell I*, 128 U.S. at 370 (patents "take[] from the people this valuable privilege and confer[] it as an exclusive right upon the patentee"); *Teva Pharms.*, 135 S. Ct. at 848 n.2 (Thomas, J., dissenting) (explaining

that the Founders saw no "'core' property right in inventions"). Thus, at English common law, see *Teva Pharms.*, 135 S. Ct. at 848 (Thomas, J., dissenting), and in the United States, courts consistently classified the patent as a "franchise or exclusive privilege," *Bloomer* v. *McQuewan*, 55 U.S. (14 How.) 539, 549 (1853); see *Grant* v. *Raymond*, 31 U.S. (6 Pet.) 218, 244 (1832) (a patent is a "privilege which is the consideration paid by the public for the future use of the machine"); see *Boesch* v. *Graff*, 133 U.S. 697, 702 (1890) ("franchise" or "exclusive privilege"); *Mitchell* v. *Hawley*, 83 U.S. (16 Wall.) 544, 548 (1873) ("franchise" secured by patent); *O'Reilly* v. *Morse*, 56 U.S. (18 How.) 62, 133 (1854) ("franchise granted to [inventor] by the law"); *Pennock* v. *Dialogue*, 27 U.S. (2 Pet.) 1, 9 (1829) ("exclusive privileges").[6]

2. A long history of non-judicial patent cancellation confirms that understanding. For as long as governments have issued patents, they have reserved the right

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[6] Several of petitioner's amici argue that the Intellectual Property Clause's reference to "secur[ing]" rights for inventors indicates that the Framers believed that inventors possess inherent or natural rights in their inventions, which the law would "secure" to them with patents. See Biotechnology Innovation Org. Amicus Br. 7-8; Pharma. Research & Manuf. of Am. Amicus Br. 29; 27 Law Professors Amicus Br. 14. The copyright plaintiff in *Wheaton* v. *Peters*, 33 U.S. (8 Pet.) 591 (1834), made substantially the same argument, contending that the term "secure," as used in the Intellectual Property Clause, "clearly indicates an intention, not to originate a right, but to protect one already in existence." *Id.* at 661. The Court squarely rejected that argument, stating that when read in context, "the word *secure*, as used in the constitution, could not mean the protection of an acknowledged legal right." *Ibid.* The Court further explained that, "where the legislature are about to vest an exclusive right in an author or an inventor, they have the power to prescribe the conditions on which such right shall be enjoyed." *Id.* at 663-664.

to cancel patents without judicial involvement or subject only to appellate judicial review.

English Practice: Post-issuance patent cancellation dates at least to Elizabethan England. The sovereign's authority to grant a patent was a matter of royal prerogative, and that "same prerogative could be used to revoke the grant." Edward C. Walterscheid, *The Early Evolution of the United States Patent Law: Antecedents (Part 2)*, 76 J. Pat. & Trademark Off. Soc'y 849, 859 (1994). Queen Elizabeth I famously employed that power in 1601, when Parliament threatened to legislate against patents that she had granted affording monopoly protections over such everyday items as salt, vinegar, ale, and soap. *Id.* at 854 n.14. The Queen responded by "summarily cancel[ling] the most objectionable patents," and by "allow[ing] courts of law to pass judgment on the remainder." Floyd L. Vaughan, *The United States Patent System* 14 (1st ed., 1956).

The English Privy Council, the Crown's principal advisory body, was also empowered to annul patents (or to recommend that the sovereign annul patents) without involving the courts. "From the earliest times," patents were granted on the condition that "the patent should be forthwith voided if it was made to appear to six or more of the Privy Council * * * that the invention was not new, or the patentee not the first and true inventor." William Martin, *The English Patent System* 111 (1904); see *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 381 (1996). Throughout the seventeenth and eighteenth centuries, the Privy Council regularly entertained third parties' petitions to cancel patents. In 1732, for example, the Privy Council "made void" a patent for lighting a coastline upon the petition of a third

party "on the ground of the insufficiency of the specification and the want of novelty and prejudicial character of the invention." E. Wyndham Hulme, *Privy Council Law and Practice of Letters Patent for Invention from the Restoration to 1794*, 33 L.Q.R. 180, 187-189 (1917). And while in 1753 the Privy Council "granted the courts concurrent jurisdiction to revoke a patent," Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1683 (2013), the Privy Council acted on petitions to cancel defective patents through the American Founding. See *ibid.* (noting that the Privy Council retained the right to revoke patents until 1847); Hulme 192-193 (describing the Privy Council's consideration of petitions to cancel patents through the Founding).

Early American Practice: Early American courts and legislatures also treated patents as privileges or franchises that could be revoked without judicial involvement. When patent-revocation questions arose in early American practice, "it seems to have been assumed that patents were revocable" without the involvement of the courts, based on the principle that "what the legislature's discretion could award in the patent grant could also be taken away by the same power." Oren Bracha, *Owning Ideas: A History of Anglo-American Intellectual Property* 110-111 (June 2005); see *id.* at 110 n.251.[7] In 1798, for example, the New York legislature revoked a steamboat patent that it had issued to one inventor (John Fitch) and assigned the patent to Robert Livingston. See *id.* at 110 n.251. When Livingston sued to enjoin alleged violations of his patent rights, the defendants raised myriad defenses, but "all assumed that the legislature had [the]

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[7] https://law.utexas.edu/faculty/obracha/dissertation/.

power" to revoke Fitch's patent and award it to Livingston. *Ibid.*; see *Livingston* v. *Van Ingen*, 9 Johns. 507 (N.Y. 1812). Similarly, after Congress issued one of the earliest United States patents to Benjamin Folger, a rival "petitioned Congress for the repeal of Folger's grant," Christopher Beauchamp, *Repealing Patents* 21 (Sept. 27, 2017),[8] on the ground that "letters patent ha[d] been obtained by the said Benjamin Folger surreptitiously, and from false suggestions." *House of Representatives Journal*, 3d Cong., 1st Sess. 98 (1793) (House Journal); see Beauchamp 19-20. Folger filed a counter-petition. House Journal 125. While the House ultimately chose to enact legislation authorizing a court to resolve the dispute, Beauchamp 20-22, the actions of the petitioners and the House reflect a shared understanding that the choice of forum for patent repeal belonged to the legislature.

American legislatures' uses of "working clauses" or "revocation clauses" also reflected the understanding that patents could be revoked without judicial involvement. See Herbert Hovenkamp, *The Emergence of Classical American Patent Law*, 58 Ariz. L. Rev. 263, 284 (2016). Colonial legislatures often inserted into patents clauses that required inventors to begin practicing their inventions within a specified time period after a patent grant. See Bruce Bugbee, *Genesis of American Patent and Copyright Law* 67 (1967) (citing examples).[9] If the inventor failed to satisfy those requirements, "the legislatures would retract or transfer the patent to a more deserving grantee" without judicial process. Camilla A. Hrdy, *State Patent Laws in the Age of* Laissez Faire, 28 Berkeley Tech. L.J. 45, 65-66 (2013).

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[8] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3044003#.

[9] These clauses were also common in English patents. See Hovenkamp 284.

Congress also used such clauses in private patent bills in which Congress issued patents to particular inventors through legislation. In a patent for the steam engine, Congress specified that the patent "shall cease, determine, and become absolutely null and void, *without resort to legal process*," if the inventor "shall fail to introduce the said invention into public use in the United States, within two years from the passing of this act." Act of Mar. 3, 1835, ch. 89, 6 Stat. 614-615 (emphasis added). And a statute allowing resident aliens to apply for patents similarly specified that "every patent granted by virtue of this act * * * shall cease and determine and become absolutely void *without resort to any legal process*" if the patentees failed to introduce the patented invention into public use within one year. Act of July 13, 1832, ch. 203, 4 Stat. 577 (emphasis added).

Reissues: The Patent Office was also authorized to cancel patents under reissue statutes. Under the reissue statute in effect from 1836 until 1870, a patent holder could seek reissue of a patent in order to fix an error resulting from a mistake in the application, but was required to surrender the original patent to do so. See Patent Act of 1836, ch. 357, § 13, 5 Stat. 117, 122; Patent Act of 1870, ch. 230, § 53, 16 Stat. 206. The patent "became destitute of validity and absolutely void" at the start of the reissue proceedings, and the Patent Office would cancel the original patent even if the application for reissue was rejected. *Peck* v. *Collins*, 103 U.S. 660, 663 (1881). Congress later amended the statute to change that procedure, specifying that the surrender of the original patent would take effect only "upon the issue of the amended patent." Patent Act of

1870, ch. 230, § 53, 16 Stat. 206; see *McCormick Harvesting Mach. Co.* v. *Aultman*, 169 U.S. 606, 610-611 (1898) (construing the 1870 law); pp. 47-49, *infra*.

Interferences Under the Patent Act: The longstanding procedure of patent interference also reflects the understanding that agencies may invalidate patents. Before the AIA was enacted, the Patent Act provided that a patent should go to an invention's first inventor, whether or not that person was first to seek a patent. Starting in 1836, the Patent Office used a procedure known as interference to determine priority of invention between a patent application and either a competing application or an issued patent. See Act of July 4, 1836, ch. 357, § 16, 5 Stat. 123-124. A disappointed party in an interference proceeding "could bring a bill in equity in federal district court" to challenge the agency's decision. *Kappos*, 566 U.S. at 439. But the factual findings of the Patent Office—"a special tribunal, entrusted with full power in the premises"—had near-preclusive effect in that judicial review. *Morgan* v. *Daniels*, 153 U.S. 120, 124 (1894).

The 1952 Patent Act expanded the USPTO's interference authority by providing that the agency's "final judgment adverse to a patentee" in an interference proceeding "shall constitute cancellation of the claims involved." Ch. 13, § 135, 66 Stat. 801-802. The USPTO could thus render final decisions cancelling issued patents on the basis of prior inventions. See Edward C. Walterschied & Kenneth L. Cage, *Jurisdiction of the Patent and Trademark Office to Consider the Validity of Issued Patents*, 61 J. Pat. & Trademark Off. Soc'y 444, 462 (1979). A disappointed party could seek review in district court, see Patent Act of 1952, ch. 13, § 146, 66

Stat. 802, but the agency's findings of fact were reviewable only under the deferential "substantial evidence" standard unless new evidence was introduced in the judicial proceeding, *Kappos*, 566 U.S. at 436; *Troy* v. *Samson Mfg. Corp.*, 758 F.3d 1322, 1328 (Fed. Cir. 2014).

Maintenance Fees: Since 1980, Congress has also required most patentees to pay maintenance fees, 35 U.S.C. 41(b)(1), and specified that if the fee is not paid within six months after the deadline, "the patent shall expire," 35 U.S.C. 41(b)(2). Thus, Congress has authorized the cancellation of issued patents before the end of the patent term for "[f]ailure to pay a maintenance fee," subject only to appellate review. Cf. *Ray* v. *Lehman*, 55 F.3d 606, 608 (Fed. Cir.) (Rich, J.) (affirming the USPTO's refusal to reinstate a patent after the patent expired for non-payment of maintenance fees and the patentee belatedly paid the fees), cert. denied, 516 U.S. 916 (1995).

Post-Issuance Agency Review: Every U.S. patent that is currently in force was issued at a time when the USPTO was authorized by statute to cancel patents as improperly granted. Since 1980, the USPTO has been authorized to conduct an ex parte reexamination of an issued patent on the petition of a third party, 35 U.S.C. 301, or at "any time" on the Director's "own initiative," 35 U.S.C. 303(a). The Federal Circuit has repeatedly upheld the constitutionality of that practice. See *Joy Technologies, Inc.* v. *Manbeck*, 959 F.2d 226, 228-229, cert. denied, 506 U.S. 829 (1992); *Patlex Corp.* v. *Mossinghoff*, 758 F.2d 594, 603-604, modified on other grounds on reh'g, 771 F.2d 480 (Fed. Cir. 1985); McConnell, 157 Cong. Rec. at 13,043. More than 15 years ago, Congress authorized the USPTO to cancel

patents through inter partes reexamination, the predecessor to inter partes review. See Optional Inter Partes Reexamination Procedure of 1999, Pub. L. No. 106-113, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572. Inter partes reviews are therefore "hardly novel but rather are based on longstanding procedures established by Congress and repeatedly recognized as constitutional." McConnell, 157 Cong. Rec. at 13,043; cf. *The Pocket Veto Case*, 279 U.S. 655, 690 (1929) (a government practice of "twenty years duration" can merit "great regard in determining the true construction of a constitutional provision the phraseology of which is in any respect of doubtful meaning").

3. Petitioner acknowledges (Br. 25) that the English Crown or Privy Council could cancel improperly issued patents. But after relying extensively on English practice as part of its own argument (Br. 22-25), petitioner dismisses the English tradition of non-judicial cancellation as showing only that patents were seen as "a royal prerogative, to be granted or withdrawn at the sovereign's discretion." Br. 25. That argument overlooks that public rights *are* those matters that can "be granted or withdrawn at the sovereign's discretion." *Ibid.* Because the "traditional taxonomy" distinguishing privileges or franchises from private rights under English law "informed American understandings of the respective roles of the political branches and the judiciary in the constitutional separation of powers," Nelson 568-569, this Court has treated an English tradition of non-judicial adjudication as demonstrating that a matter may be adjudicated outside of Article III courts. See, *e.g.*, *Murray's Lessee*, 59 U.S. (18 How.) at 281-282 (relying on English practice concerning "claims for pub-

lic taxes"); *Sharif*, 135 S. Ct. at 1951 (Roberts, C.J., dissenting) (explaining that the "exception to the requirements of Article III for certain bankruptcy proceedings" reflects that, "[w]hen the Framers gathered to draft the Constitution, English statutes had long empowered nonjudicial bankruptcy 'commissioners'" to resolve bankruptcy claims).

Petitioner also suggests that the centuries-old practice of treating patents as revocable privileges is not relevant if patent-validity questions were more "typically" resolved in judicial than in nonjudicial forums. Pet. Br. 26 (emphasis omitted). That argument lacks merit. This Court has explained since *Murray's Lessee* that matters that can be resolved in both judicial and nonjudicial forums are public rights. See 59 U.S. (18 How.) at 284 (defining as public rights those matters "which are susceptible of judicial determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper"). Even if challenges to the validity of issued patents were often brought in judicial forums, the undisputed authority of the Crown and Privy Council to cancel patents is inconsistent with private-right status. To support a contrary view, petitioner invokes a passage in *Granfinanciera* (Br. 25-26), but that passage did not discuss whether a matter involved public rights at all. See 492 U.S. at 43-44. Instead, it addressed the separate question whether a dispute sounds in law or in equity for purposes of the Seventh Amendment. *Ibid.*

4. Petitioner also suggests (Br. 33-34) that Congress is constitutionally barred from authorizing inter partes review because Congress did not create inter partes review when it first created a federal patent system. See Pet. Br. 33 (stating that Congress may provide for

agency adjudication only when it creates "a 'new statutory obligation'" that is "without a historical analogue to actions adjudicated by courts") (brackets and citation omitted). Even in reviewing adjudicative schemes used to impose liability on private parties, this Court has not imposed any such limitation on the public-rights doctrine. See, *e.g.*, *Stern*, 564 U.S. at 490-491 ("[W]hat makes a right 'public' rather than private is that the right is integrally related to particular Federal Government action."). And while some frameworks for agency adjudication that this Court has upheld involved entirely new statutory obligations, others did not. The agency arbitration scheme challenged in *Thomas* replaced a prior framework for determining fees under a compulsory-licensing provision. See 473 U.S. at 590 (explaining Congress's choice to "select arbitration as the appropriate method of dispute resolution" due to shortcomings in prior statute); *id.* at 571-575 (describing history). And the federally created obligations in *Atlas Roofing* and *Block* could hardly be described as "without a historical analogue to actions adjudicated by courts," Pet. Br. 33, because they involved, respectively, workplace-safety requirements and landlord-tenant obligations. See *Atlas Roofing*, 430 U.S. at 450; *Block*, 256 U.S. at 156.

In any event, inter partes review does not authorize the USPTO to impose liability on any private party. It is simply a mechanism by which the agency can reconsider its own prior patent-issuance decision. See pp. 18-25, *supra*. Nothing in this Court's precedents remotely suggests that Congress is constitutionally foreclosed from adding new administrative-reconsideration mechanisms to an existing statutory scheme.

5. Petitioner's reliance (Br. 28-29) on *McCormick Harvesting Mach. Co.*, *supra*, is misplaced. The Court in *McCormick* did not announce any constitutional limit on Congress's power to authorize the Patent Office to correct its own mistakes, but simply construed the then-extant version of a federal patent-reissue statute. The patent owner in *McCormick* sought a reissue of his patent from the Patent Office, and he surrendered his original patent upon submitting his reissue application. During the reissue proceeding, an examiner rejected patent claims that were common to both the original patent and the reissue. Before the Patent Office formally acted on the reissue, the patent owner abandoned the application for reissue, and the Patent Office returned the surrendered patent. 169 U.S. at 608.

The patent owner subsequently brought an infringement suit, and the district court held that the Patent Office had annulled the original patent when it rejected the reissue. *McCormick Harvesting Mach. Co.* v. *C. Aultman & Co.*, 58 F. 773, 778 (N.D. Ohio 1893). On appeal, the Sixth Circuit recognized that the district court would have been correct "under the patent laws in force in 1866" as those laws had been construed in *Peck*, *supra*. See *McCormick Harvesting Mach. Co.* v. *C. Aultman & Co.*, 69 F. 371, 400 (1895) (Taft, C.J.). The court of appeals explained, however, that this Court had not yet "considered and decided" whether the Patent Office's rejection of patent claims in reissue proceedings still amounted to a cancellation of the original patent under amended reissue provisions that Congress had enacted in 1870. *Id.* at 401. The panel certified to this Court the question whether an examiner's rejection of a reissue that includes "the same claims as those

which were included in the [original] patent" invalidates the original patent. *Ibid.*

This Court answered that question in the negative, holding that rejection of a reissue had no effect on the original patent under the amended reissue statute. The Court recognized that Congress had previously granted the Patent Office authority to "absolutely extinguish the original patent" during a reissue proceeding. *McCormick Harvesting Mach. Co.*, 169 U.S. at 610-611 (citing *Peck*, 103 U.S. at 660). The Court concluded, however, that the revised statute did not grant that authority, because under that statute the surrender of the original patent "takes effect only upon the issue of the amended patent," and "until the amended patent shall have been issued the original stands precisely as if a reissue had never been applied for." *Id.* at 610. The Court explained that, since Congress had not authorized the Patent Office to cancel an original patent during a reissue, "[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States." *Id.* at 609. As a leading patent historian explained in 1979 when the USPTO considered amending its regulations on reconsideration of issued patents, the Court in *McCormick* simply held that the USPTO lacked authority to cancel a patent "except to the extent that such is expressly permitted by statute." Edward C. Walterscheid & Kenneth L. Cage 450. The *McCormick* Court's statutory analysis does not control the constitutional question presented here.

6. The nineteenth-century land-patent cases that petitioner invoked in its petition for a writ of certiorari (Pet. 17) are even farther afield. This Court has rejected administrative attempts to cancel land patents

when statutory authorization was absent. See, *e.g.*, *Iron Silver Mining Co.* v. *Campbell*, 135 U.S. 286, 298-299 (1890) (holding, based on "a careful examination of th[e] statute," that Land Office could not revoke an issued land patent). But the Court has upheld cancellations that were authorized by, for example, clauses that reserved a right of cancellation if the grantee failed to satisfy conditions, see *United States* v. *Repentigny*, 72 U.S. (5 Wall.) 211, 267-268 (1866).

In any event, patents for land and inventions "are not in all things alike." *United States* v. *American Bell Tel. Co.*, 167 U.S. 224, 238 (1897) (*American Bell II*). A land patent confers "absolute property of the Government" that is "in existence before the right is conveyed." *Ibid.* Hence, this Court has likened the grant of a land patent to the sale of real property in which the United States, "as owner," passes title and is bound "in the same manner that an individual would have been bound under similar circumstances." *United States* v. *Hughes*, 52 U.S. (11 How.) 552, 568 (1851). By contrast, a "patent for an invention is not a conveyance of something which the Government owns," *American Bell II*, 167 U.S. at 238, but is instead a time-limited monopoly derived entirely from a statute. Control over such a federally created privilege is more "closely integrated into a public regulatory scheme," *Granfinanciera*, 492 U.S. at 54 (citation omitted), than control over land the government has transferred. And patents "have the attributes of personal property" only because Congress has so provided, and only "[s]ubject to the provisions of" Title 35. 35 U.S.C. 261.

This Court in *Boesche*, in upholding the Secretary of the Interior's "authority to cancel [a] [mineral] lease administratively for invalidity at its inception," 373 U.S. at

476, distinguished the Court's precedents holding that "land patents once delivered and accepted could be canceled only in judicial proceedings," *id.* at 477. The Court explained that "the true line of demarcation is whether as a result of the transaction 'all authority or control' over the lands has passed from 'the Executive Department,' or whether the Government continues to possess some measure of control over them." *Ibid.* Observing that a mineral lease does not give the lessee "anything approaching full ownership" of the land, the Court concluded that the Secretary "should have the power, in a proper case, to correct his own errors." *Id.* at 478. The same reasoning applies here.

II. INTER PARTES REVIEW IS CONSISTENT WITH THE SEVENTH AMENDMENT

A. Because inter partes review comports with Article III, the Seventh Amendment imposes no separate obstacle to its constitutionality. If Congress has permissibly assigned "the adjudication of a statutory cause of action to a non-Article III tribunal, then the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder." *Granfinanciera*, 492 U.S. at 53-54; see *id.* at 55 n.10 ("Congress may decline to provide jury trials" where the action involves "statutory rights that are integral parts of a public regulatory scheme and whose adjudication Congress has assigned to an administrative agency."); *Tull* v. *United States*, 481 U.S. 412, 418 n.4 (1987) ("[T]he Seventh Amendment is not applicable to administrative proceedings."); see also *Block*, 256 U.S. at 158.

That principle applies "even if the Seventh Amendment would have required a jury where the adjudication of those rights is assigned to a federal court of law instead." *Atlas Roofing*, 430 U.S. at 455. For example, in

Pernell v. *Southall Realty*, 416 U.S. 363 (1974), this Court held that the parties to a suit in district court were entitled to a jury trial under the Seventh Amendment, but recognized that "the Seventh Amendment would not be a bar to" entrusting those same disputes "to an administrative agency" rather than a court. *Id.* at 383. Only because "Congress ha[d] not seen fit" to entrust the dispute to an agency was Congress required to "preserve to parties their right to a jury trial." *Ibid.* Petitioner does not dispute that principle. In sum, because Congress permissibly charged the USPTO with reevaluating its own patentability determinations in an administrative proceeding, "the Seventh Amendment poses no barrier to agency adjudication without a jury," *MCM Portfolio*, 812 F.3d at 1293.

B. Petitioner's Seventh Amendment claim also fails for the separate reason that inter partes review does not afford relief analogous to that traditionally granted by courts of law. When a matter is assigned to the courts for adjudication, the Seventh Amendment preserves a jury-trial right only in suits "in which legal rights [are] to be ascertained and determined, in contradistinction to those where equitable rights alone [are] recognized, and equitable remedies [are] administered." *Curtis* v. *Loether*, 415 U.S. 189, 193 (1974) (quoting *Parsons* v. *Bedford*, 28 U.S. (3 Pet.) 433, 447 (1830) (Story, J.)) (emphasis omitted). Inter partes review provides no right to monetary damages, but instead allows only the equitable remedy of cancellation of a patent. Its closest judicial analog therefore is a declaratory-judgment action for patent invalidity, in which no jury-trial right attaches. See *In re Technology Licensing Corp.*, 423 F.3d 1286, 1290-1291 (Fed. Cir. 2005) (per curiam) (if only equitable relief is at issue,

"the accused infringer has no right to a jury trial"), cert. denied, 547 U.S. 1178 (2006).

This Court's precedents underscore that patent cancellations do not implicate a jury-trial right, even when patent-cancellation cases have been assigned to the courts, rather than to an administrative agency. When the United States brought suits in federal court to cancel patents on grounds of invalidity—before the creation of administrative procedures for post-issuance review—the suits were brought in equity and resolved without juries. See *American Bell I*, 128 U.S. at 360 (affirming authority of the government to bring a bill in equity to cancel a patent, and rejecting the argument that the proper remedy "is in the common-law courts, and not in a court of equity"); see also *Mowry* v. *Whitney*, 81 U.S. (14 Wall.) 434, 440 (1872); *United States* v. *Stone*, 69 U.S. (2 Wall.) 525, 535 (1865). In deeming equity jurisdiction proper, the Court relied on English practice and on early patent statutes, which specified that parties seeking to challenge decisions of the Patent Office could proceed only through a "bill in equity." *American Bell I*, 128 U.S. at 364; see Patent Act of 1870, ch. 230, § 52, 16 Stat. 205, Patent Act of 1836, ch. 357, § 16, 5 Stat. 123-124; see also Lemley 1683. The historical understanding that patent-cancellation actions sound in equity would be fatal to petitioner's Seventh Amendment claim even if this case involved patent cancellation through the courts, rather than through an administrative agency.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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APPENDIX

1. U.S. Const. Art. III, § 2 provides:

The judicial power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;—to all Cases affecting Ambassadors, other public Ministers and Consuls;—to all Cases of admiralty and maritime jurisdiction;—to Controversies to which the United States shall be a party;—to Controversies between two or more states;—between a State and Citizens of another State;—between Citizens of different states;—between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

2. U.S. Const. Amend. VII provides:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

3. 35 U.S.C. 2(a) provides in pertinent part:

Powers and duties

(a) IN GENERAL.—The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce—

(1) shall be responsible for the granting and issuing of patents and the registration of trademarks;

* * * * *

4. 35 U.S.C. 141(c) provides:

Appeal to Court of Appeals for the Federal Circuit

(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

5. 35 U.S.C. 261 provides:

Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property. The Patent and Trademark Office shall maintain a register of interests in patents and applications for patents and shall record any document related thereto upon request, and may require a fee therefor.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An interest that constitutes an assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

6. 35 U.S.C. 311 provides:

Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) SCOPE.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

7. 35 U.S.C. 314 provides:

Institution of inter partes review

(a) THRESHOLD.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response

filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

8. 35 U.S.C. 315 provides:

Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION.—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in

interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(C) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may

join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in

part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

9. 35 U.S.C. 316 provides:

Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT.—

(1) IN GENERAL—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

10. 35 U.S.C. 318 provides in pertinent part:

Decision of the Board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally de-

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

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termined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

* * * * *

11. 35 U.S.C. 319 provides:

Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.